From: "Pinchas Buchris" <pbuchris@gmail.com> [10.37.39.10]
To: "Amir Elichai" <amir@reporty.com>
CC: "Ehud Barak" <ehbarak1@gmail.com>
"Udi Knaani" <Udi@fwmk-law.co.il>
Date: 3/29/2016 7:11:58 AM UTC
Subject: Re: Reporty Homeland Security <> Bridge Financing Agreement

Dear all,

I think 25% of discount is very high. The numbers that I know is 15-20%.

I recommend to leave 15% for negotiations . We can give 20% discount but not more. And not put 25% in the agreement and than we can find ourselves in negotiations about the number.....

Best,
Pinhas Buchris
+972-54-4432175

On Mar 28, 2016 20:57, "Amir Elichai" <amir@reporty.com> wrote:

> Hi Udi,
>
> Thanks for those comments.
>
> 1. In discussion with our lawyers - Will update.
> 2. Agreed - We will change it to a 25% Discount with Exit Price of $25M.
> 3. Agreed - We will change it.
>
> Amir.
>
> On Mon, Mar 28, 2016 at 7:14 PM, Udi Knaani <Udi@fwmk-law.co.il> wrote:
>
> > Hi Amir,
> >
> > I read (quickly) the draft you sent.
> >
> > I have few comments:
> >
> > 1. In the conversion sections (3.1 – 3.3) you are using a company pre-money valuation **at the date of the conversion**. Potentially, it may become a problem as if prior to the conversion the company shall continue to raise funds using CLA and without a triggering event, so in the future conversion of those CLA's the actual calculation of the FD share capital shall be in a much lower price per share. I think that the best way is to use Price Per Share (reflecting those valuations) as the agreed PPS at conversion and this will solve this issue.

2. I think you are way too optimistic and that the terms you are offering are problematic for potential lenders. 15% discount with no interest is way below standard, and section 3.2 is something that any normal investor will refuse to sign. Under section 3.2 if you will make an exit following this CLA's and sell the company for $50M (or less), those lenders will profit only 17.6% (they will buy shares at 0.85 the exit price and sell it at the exit price). They are taking a venture lending risk with a very small potential yield.

3. As for section 3.6 – I think that those rights must apply to a shareholder with a certain minimum holding (5% of the company?) and as to any small lender that upon conversion will not reach this holding – he/it shall have has all rights under the companies law and the company's Articles.

Good luck,

Udi

Inline images 73

**Udi Knaani**, **Partner**
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**From:** Amir Elichai [mailto:amir@reporty.com]
**Sent:** Sunday, March 27, 2016 6:31 PM

**To:** Ehud Barak; Pinchas Buchris; Udi Knaani
**Subject:** Reporty Homeland Security <> Bridge Financing Agreement

Dear All,

Attached is a Bridge Financing Agreement that i would like to send ASAP.

Please take a look at it and let me know if you have any comments - it's a pro company agreement but still with some benefits for the investors.

The yellow sections are the important.

A.E

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*Regards,*

**Amir Elichai -** Founder & CEO at Reporty Homeland Security Ltd

**T:** +972546783796

**E:** amir@reporty.com

**W:** www.reporty.com

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*Regards,*

**Amir Elichai -** Founder & CEO at Reporty Homeland Security Ltd

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